

## ORDER R98-09

### DIRECTOR'S APPROVAL OF ALHIGA'S SETTLEMENT AGREEMENT WITH THE STATE OF ALASKA

September 24, 1998

By letter of September 8, 1998, the Alaska Life and Health Insurance Guaranty Association (ALHIGA) requested the approval of the Director of the Division of Insurance of a settlement entered between ALHIGA and the State of Alaska (State) as to a claim asserted by the State arising from the insolvency of the Executive Life Insurance Company (ELIC). In response to that request, the Director finds as follows.

#### BACKGROUND

1. ELIC is a "member insurer" of ALHIGA as defined in AS 21.79.90(6). ELIC was licensed to sell annuities in the State of Alaska under Certificate of Authority No. 928, issued February 1, 1971. That certificate was suspended by order of the Director dated May 13, 1991 and later revoked by order of the Director dated May 10, 1994.
2. By order dated April 11, 1991, Superior Court for the State of California, in Case No. BS-006912, issued a rehabilitation order placing ELIC into rehabilitation. On December 6, 1991, as a result of ELIC's deteriorating financial condition, a final order of liquidation was entered by the Superior Court of California.
3. Because of the ELIC insolvency, the State, as trustee of the State of Alaska Supplemental Annuity Plan and contract holder of group limited premium deposit pension contracts issued by ELIC, asserted a claim for benefits from ALHIGA. This claim has been the subject of litigation in a case entitled Alaska Life and Disability Insurance Guaranty Association v. State of Alaska, No. 3 AN-94-6680, Superior Court for the State of Alaska, Third Judicial District at Anchorage.
4. Under AS 21.79.060(d)(3), ALHIGA may satisfy its obligations to insureds of an insolvent member by "provid(ing) money, pledges, notes, guarantees or other means necessary to discharge the insurer's duties. . . ."
5. ALHIGA proposes to meet any statutory obligation that it may owe to the State arising from the aforementioned ELIC contracts by a lump sum payment to the State in exchange for a release of all claims by the State. The amount to be paid was negotiated by the State (without involvement of the Director of the Division of Insurance) and ALHIGA, was memorialized in a Settlement Agreement dated July 30, 1998, and was approved by the Attorney General for the State.

#### THE DIRECTOR HEREBY ORDERS:

ALHIGA's request to meet its obligation to the State of Alaska arising out of the ELIC insolvency through ALHIGA's payment to the State of the monies specified in the July 30, 1998 Settlement Agreement is approved.

This order is effective September 24, 1998.

Marianne K. Burke  
Director of Insurance